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WOOLWORTHS TO SELL FUEL BUSINESS AND ENTER STRATEGIC PARTNERSHIP WITH BP

- On 24 December 2016, Woolworths entered into binding agreements to facilitate the sale of its 527 Woolworths-owned fuel convenience sites and 16 committed development sites to BP for \$1.785 billion.
- The sale proceeds will be used to strengthen the Woolworths balance sheet and reinvest in its core businesses.
- The transaction is subject to customary closing conditions (including BP obtaining Australian Competition and Consumer Commission (ACCC) and Foreign Investment Review Board (FIRB) approval). Until then there will be no changes to Woolworths' existing fuel offer.
- Completion is expected to occur no earlier than 2 January 2018.
- Subject to satisfaction of the transaction conditions, the parties will enter into a long-term **Strategic Partnership to:**
 - i. **Preserve and Expand Woolworths' 4 cents per litre (cpl) fuel redemption offer:**
 - Woolworths and BP will equally fund the continuation of the 4 cents per litre (cpl) fuel discount for a minimum 10-year period
 - BP will maintain the 4cpl fuel discount offer at the existing 527 Woolworths fuel and convenience sites and expand this offer to additional BP sites, thereby increasing its redemption offer coverage. As a result, ~80% of Woolworths supermarkets are expected to have a fuel redemption site in close proximity for their customers, up from the current 75%
 - Mechanisms and incentives will also be in place to maintain value for Woolworths customers
 - ii. **Enhance the customer offer by jointly developing and rolling out a world-class convenience food offer in a new "Metro at BP" format:**
 - The parties will draw on the scale and capabilities of the Woolworths food business, Woolworths' successful and growing "Metro" format, and BP's global expertise in successfully delivering leading convenience food offerings - including with Marks & Spencer "Simply Food" in the United Kingdom and REWE in Germany - to roll-out a new "Metro at BP" format
 - A pilot of "Metro at BP" sites will be undertaken. If the pilot is successful, the parties intend to enter into a long-term arrangement under which BP will invest significant capital to roll-out the "Metro at BP" offer
 - This investment will see up to 200 BP convenience stores refurbished in the "Metro at BP" format, providing increased convenience for Woolworths customers
 - iii. **Broaden and Enhance Woolworths Rewards:**
 - It is proposed that BP will become a cornerstone partner in the Woolworths Rewards program which features Qantas Frequent Flyer points
 - Once BP is established as a cornerstone partner, Woolworths Rewards Members will be able to earn Rewards Points on both fuel and in-store purchases, as well as redeem Rewards Points on purchases across BP branded fuel sites.

Woolworths Limited (ASX: WOW) today announced that it has entered into binding agreements to facilitate the sale of its 527 Woolworths-owned fuel convenience sites and 16 committed development sites ("**Fuel Business**") to BP for \$1.785 billion.

As part of the Fuel Business divestment, Woolworths and BP plan on entering into a long-term strategic partnership ("**Strategic Partnership**"), designed to:

- Develop a world class convenience store offering combining Woolworths' strength in grocery with BP's proven global expertise in developing convenience offerings;
- Leverage Woolworths' successful and growing "Metro" format;
- Facilitate the continuation of the 4cpl fuel discount offer;
- Extend the Woolworths Rewards program; and
- Importantly, enhance value for Woolworths customers and reward them for their ongoing loyalty and support

The terms of the Strategic Partnership are encapsulated in a Strategic Partnership Agreement covering Redemption, Loyalty and Convenience.

Woolworths CEO Brad Banducci said: "This transaction is a win for Woolworths customers and shareholders. For our shareholders, once the Strategic Partnership is established, it will result in Woolworths having a larger platform for our redemption and reward program, as well as providing us with a unique opportunity to partner with and draw on BP's success in rolling out market-leading convenience food offers globally. The release of \$1.785 billion from the sale will be used to strengthen our balance sheet and reinvest in our core businesses – which will further benefit customers and shareholders.

"For Woolworths customers our Strategic Partnership with BP will enable them to enjoy our Woolworths Rewards program at BP fuel sites and ensure they continue to benefit from the 4cpl fuel discount. Longer term, it will also provide them with a compelling, new "food-on-the go" offering through the roll-out of the "Metro at BP" concept, expanding our existing "Metro" offer," Mr Banducci said.

BP Australia President Andy Holmes said, "We are excited to bring BP's global expertise and success in food and convenience offers to Australia through this partnership with Woolworths. Around the world we have delivered leading offers like this via long-term partnerships with other leading food and grocery retailers including Marks & Spencer in the UK and REWE in Germany.

"This new partnership is great news for all Australian consumers, who will in future be able to enjoy the combination of BP's premium fuels, a world class convenience food offer and an enhanced loyalty program including the expansion of Woolworths' 4cpl fuel discount offer.

"We look forward to welcoming Woolworths Fuel Business team members to the BP team. If approved, the acquisition of another 527 fuel and convenience sites as well as a number of sites under construction grows our business substantially and brings with it a lot of opportunity for the team," he said.

Mr Holmes said that in building on the already-strong foundations of Woolworths' fuel business with BP's international experience and expertise in fuel and convenience offers and Woolworths' high quality food products and loyalty program, BP will realise significant improvements in value.

Today's announcement follows a comprehensive process during which a number of parties expressed interest in Woolworths' Fuel Business and submitted indicative proposals.

Mr Banducci said: "Following extensive evaluation of the proposals received, we decided that BP's proposal met our strategic and broader commercial imperatives and in its entirety provided superior long-term shareholder value.

"Once regulatory approval is obtained, our Strategic Partnership with BP means we will not need to own petrol assets to offer our customers their 4cpl petrol discount and to expand our Woolworths Rewards program. Importantly this partnership will enable us to jointly roll-out a new, world-class fuel and convenience food offering that replicates BP's successful partnership with Marks & Spencer in the UK," Mr Banducci said.

FINANCIAL IMPLICATIONS OF THIS TRANSACTION

The sale of the Fuel business is not expected to have a material impact on Woolworths Group earnings.

The Fuel Business reported sales of \$4,611.8 million in FY16 with EBIT before significant items of \$117.8 million. Included in the FY16 EBIT are overhead and other costs that will remain with Woolworths following the completion of the transaction of \$13 - \$19 million. Woolworths plans to minimise the impact of these costs going forward.

Also included in the FY16 Fuel Business EBIT is the cost of funding the full 4cpl fuel discount offer of approximately \$70 million (excluding GST) in FY16. Upon completion, Woolworths will equally fund the 4cpl fuel discount offer with BP.

The Fuel Business incurred an operating lease rental expense of \$70 million in FY16.

REDEMPTION

In order to preserve and expand the 4cpl fuel discount offer, which is a key component of Woolworths loyalty offering, the parties will enter into a minimum 10-year Redemption Agreement.

Under the terms of the Redemption Agreement Woolworths and BP will commit to maintain and equally fund the issuance of the 4cpl fuel discount vouchers under the same conditions as today.

BP will maintain the 4cpl fuel discount offer at the existing 527 Woolworths fuel and convenience sites and expand this offer to additional BP sites. This is expected to increase the proportion of Woolworths supermarkets with a nearby fuel redemption offer from ~75% today to ~80%.

Woolworths and BP have also agreed that mechanisms and incentives will be in place to maintain value for Woolworths' customers.

WOOLWORTHS REWARDS

It is proposed that BP will become a cornerstone partner of the Woolworths Rewards program. Once established as a cornerstone partner, BP will be granted automatic redemption status and has in turn agreed to:

- Offer base point-per-dollar Rewards Points on all in-store merchandise (excluding fuel) in line with the way Woolworths Rewards works in BWS and Woolworths supermarkets; and
- Offer point-per-litre Rewards Points on all purchases of BP's quality fuels.

CONVENIENCE FOOD

Both Woolworths and BP are committed to delivering a world class, market-leading fuel and convenience food offer that addresses the unmet needs of "on-the-go" customers by expanding and enhancing Woolworths "Metro" offering.

The focus will be to draw on the scale and capabilities of the Woolworths food business to provide customers with a strong seasonal selection, with an emphasis on healthy options as well as a wider range of convenience and grocery items including salads, soups, bakery and sandwich ranges.

Initially, BP and Woolworths plan to launch a "Metro at BP" pilot program, allowing both companies to test their offering and generate customer feedback.

A second phase will involve the expansion of the "Metro at BP" format across up to 200 sites. This investment will see these sites refurbished and/or rebuilt for the "Metro at BP" format, increasing local employment and infrastructure in the surrounding areas.

BP has a strong track record globally of partnering with leading supermarket operators to deliver fuel and convenience offers. It has successfully rolled out this type of model in nine countries around the world including with REWE in Germany and Marks & Spencer "Simply Food" in the United Kingdom. The partnership with Marks & Spencer became the leading fuel and convenience offer in the United Kingdom within three years of launch. For more information about BP's fuel and convenience partnerships go to www.bp.com.au/partnership.

NEXT STEPS

The sale transaction and the Strategic Partnership are subject to customary closing conditions including obtaining regulatory approvals such as ACCC and FIRB approval. Completion of the transaction is expected to occur no earlier than 2 January 2018.

During this period both organisations will operate on a "business as usual" basis, with customers continuing to be able to redeem their Woolworths 4cpl fuel discount offer at existing Woolworths/Caltex co-branded sites and participating Caltex Starmart Alliance sites.

ENDS

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BP in Australia

There are currently 1,400 BP branded fuel and convenience retail sites across Australia, of which 350 are company-owned. The rest are branded BP but owned by independent business partners.

BP is one of the largest suppliers of fuel to Australia's industrial and commercial sector.

BP is one of Australia's most significant investors, most visibly through its terminals, petrol stations and refinery, as founding partners in the North West Shelf and Browse joint ventures and operator of exploration permits in the Carnarvon Basin. BP continues to invest in local economies, growing jobs and building infrastructure in metropolitan and regional Australia.

BP is engaged in the exploration and production of oil, natural gas and liquefied natural gas and the refining and marketing of petroleum and lubricant products.

For more information about BP in Australia please visit www.BP.com.au